DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 0 4 — 0 1 6
2. STATE: AR
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
07-01-04

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR Part 447, Sub Part C

7. FEDERAL BUDGET IMPACT:
a. FFY 2005 $ 1,900,254
b. FFY 2006 $ 1,975,693

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-D, Appendix I
Page 2-2a, 2-2aa

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.19-D, Appendix I
Page 2-2a, 2-2aa

10. SUBJECT OF AMENDMENT:
The required minimum occupancy was to have increased from 75% to 81% when calculating rates for State Fiscal Year (SFY) 2005 and 81% to 85% for SFY 2006. Instead, the required minimum occupancy will increase to 77% for SFY 2005 and will increase 1% for the following three years.

11. GOVERNOR'S REVIEW *(Check One)*:

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Roy Jeffus

14. TITLE:
Director

15. DATE SUBMITTED:
August 25, 2004

16. RETURN TO:
Division of Medical Services
P.O. Box 1437
Little Rock, AR 72203-1437
Attn: Carolyn Patrick
Slot S295

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:
AUG 26 2004

18. DATE APPROVED:
SEP 14 2004

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
JUL - 1 2004

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
Carmen Keller

22. TITLE:
Deputy Director, CMSO

23. REMARKS:

FORM HCFA-179 (07-92)

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component of the rate will rebase annually for the period July 1st to June 30th. An inflation index will be applied to the provider's direct care per diem cost to inflate cost from the cost reporting period to the rate period.

B. Indirect, Administrative, and Operating

For initial rate setting, the per diem payment for this component will be set at 110% of the median indirect, administrative, and operating per diem cost adjusted for inflation using the inflation index (see Section A. 5.) and paid as a class rate to all facilities. This per diem payment will be rebased at least once every three years. For rate periods in which the indirect, administrative, and operating cost component is not rebased, the existing indirect, administrative and operating per diem will be inflated forward into the next rate period using the inflation index. For each year in which costs are rebased, the per diem will be calculated in the same manner as used in the initial rate setting process.

C. Fair Market Rental

A fair rental system will be used to reimburse property costs. The fair rental system reduces the wide disparity in the cost of property payments for basically the same service therefore making this payment fairer to all participants in the program. The fair market rental system will be used in lieu of actual cost and/or lease payments on land, buildings, fixed equipment and major movable equipment used in providing resident care. The fair rental payment for facilities that are leased from a related party will be calculated from the costs associated with the related party in conformity with related party regulations.

The payment for provider property cost will be calculated annually by adding the return on equity, facility rental factor, and the cost of ownership, and dividing the sum of these three components by the greater of the actual resident days or resident days calculated at the following occupancy levels. In addition to the annual rate calculation, an occupancy adjustment may be made each July 1st to the interim rate.

	Cost Report Period	Rate Period	% Occupancy
Year 1	SFY 2001	SFY 2002	75%
Year 2	SFY 2002	SFY 2003	75%
Year 3	SFY 2003	SFY 2004	75%
Year 4	SFY 2004	SFY 2005	77%
Year 5	SFY 2005	SFY 2006	78%

Year 6	SFY 2006	SFY 2007	79%
Year 7	SFY 2007	SFY 2008 and beyond	80%

Resident days at the minimum occupancy level are calculated as: *Total Licensed Beds x Number of Days in the Period x Minimum Occupancy Percentage.*